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-- COMMNET WIRELESS --

**PROPOSAL TO BRING TELEPHONE SERVICE
TO THE AREAS MOST UNDERSERVED,
FOR LESS THAN THE SUBSIDIES
IN PLACE IN MORE DENSELY-POPULATED AREAS**

**CC DOCKET NO. 96-45
In the Matter of Federal-State Board
On Universal Service**

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SUMMARY

In its earlier-filed comments in this proceeding, Commnet proposed a new regime for the least-densely populated portions of rural America, the portions that the other carriers – wireline and wireless – have left untouched. **Specifically, this proposal is to benefit those who reside in: counties with population densities of less than 100 persons per square mile; and within those counties, where the population density of a wireless cell itself is less than 50 persons per square mile.**

The Commnet proposal (hereafter, “Remote Area Service Proposal” or “RAS Proposal”) can bring service to these extremely-underserved areas at a cost so reasonable, it is less *per capita* than the subsidies already being spent to bring service to higher-density, lower-cost rural areas. Most importantly, **it is a flat, capped amount per cell site.** The initial proposed cap is \$3,000 per cell per month for new cell sites constructed in these least-densely populated areas. That is less than the monthly cost of subsidizing one or two subscribers under the existing regime, for a cell site that typically would cover hundreds of square miles.

Thus, the RAS proposal represents a “win-win” situation for the Commission. It extends telephone service in a meaningful way into the last remaining areas where such service is rare, without creating new problems of depletion of the Universal Service Fund. **To emphasize, because the carrier compensation is calculated per cell site, not per subscriber, and because locations eligible for funding are limited to the least densely-populated areas, the cost to the USF is extremely limited, while the benefits, in terms of extending the range of service, are huge.**

SPECIFICS

1. Separate Category of ETC to Be Created. A wireless carrier qualifying as a “RAS ETC” would receive a USF subsidy on a per-qualifying cell-site basis. “RAS ETC” would be a new and separate category of ETC, with different application showings, and a carrier certified as an RAS ETC would only be entitled to reimbursement under the terms of the separate RAS ETC program.

2. Qualifying Locations. To qualify for the subsidy, a cell site would have to meet each of two conditions with respect to its reliable service area coverage, or “footprint”:¹ a) the cell footprint must propose coverage only in counties with overall population density of less than 100 people per square mile; and b) the cell footprint itself must have a population density of less than 50 people per square mile. Additionally, to ensure that government subsidy funds are truly being spent to expand coverage, a cell would be eligible for subsidy only if less than half its footprint was overlapped by another cell site operated by the same carrier.

¹ Commnet proposes that the Lee Suburban calculation methodology be employed. This method was laid out in footnote 2 of Commnet’s comments, and is well known and regarded in the wireless industry, and is especially appropriate for use in rural areas, where it is more accurate than other calculation methodologies.

These requirements insure that any RAS ETC will be serving only those areas most in need of service, and could not possibly be “cream-skimming.”

3. Subsidy and Conditions for Qualifying. The initial per-cell, per-month subsidy would be a flat \$3,000. Although this is nowhere near what it costs to operate a wireless cell site, it would go a long way towards covering certain operating costs uniquely present in remote cells – the cost of leased lines back to a remote switch, and the cost of leased lines to connect from a remote switch to a local PSAP for routing of E911 calls. (In rural areas, E911 costs alone often make a proposed site a losing proposition financially.)

This Commission does not want to over-subsidize and thereby distort investment, by encouraging carriers to construct cells just to obtain a subsidy. However, it does need to engage in some sort of subsidy to counteract the reality that volume is less in a rural cell, but the costs of leased lines are fixed, and are also a much larger percentage of overall recurring costs than they would be in a cell covering more densely-populated areas. The \$3,000 per-month figure provides an appropriate balance.

From time to time, perhaps as part of its regular biennial review process, the Commission could review whether this figure needs to be adjusted for inflation or other factors.

Because the statute requires that an ETC advertise in the market, the RAS Proposal is that each RAS ETC be required to spend at least \$250 per month in local media outlets serving the population within the cell footprint, advertising the availability of the service. Also, the carrier would have to charge the same rates in RAS subsidy areas as are charged in non-subsidy areas.

PUBLIC INTEREST BENEFITS

The benefits of the RAS Proposal are huge. First, it ensures that, notwithstanding the extra expense involved in layering E911 obligations over pre-existing carrier obligations in remote rural areas, wireless carriers will be able to continue operating otherwise marginal cell sites that otherwise would have to be de-constructed permanently, and even construct cells in new areas not currently being served. These areas, due to their remote character, are those where service is especially needed, in particular 911 services.

Second, because the costs are both fixed and low, the benefits can be gained without harm to the overall Universal Service Fund, and without causing uneconomic “pork barrel” capital investment. Third, because the service would be wireless in nature, once it is established in a given area, it is available not merely to local residents, but also to Public-Safety officials, such as police, fire fighters, and emergency medical technicians, as well as incoming visitors when they travel through the area, all at no extra charge to the government or the Fund. Thus, unlike subsidies which are tied solely to subscribers, the RAS Proposal will save lives and property in emergency situations on a regular and continuing basis.

Commnet therefore urges the Commission to seize this opportunity and add this new category of ETC to the structure of the ETC program, for the benefit of rural America.